PERFORMANCE AUDIT

Saint Clair Area School District

Schuylkill County, Pennsylvania

October 2015

Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General

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EUGENE A. DEPASQUALE
AUDITOR GENERAL

Mr. Jason Bendle, Superintendent Saint Clair Area School District 227 South Mill Street Saint Clair, Pennsylvania 17970	Mr. Michael Holobetz, Board President Saint Clair Area School District 227 South Mill Street Saint Clair, Pennsylvania 17970

Dear Mr. Bendle and Mr. Holobetz:

We have conducted a performance audit of the Saint Clair Area School District (District) for the period April 9, 2013 through June 29, 2015. We evaluated the District's performance in the following areas:

- Governance
- Financial Stability
- School Safety
- Bus Driver Requirements

This audit was conducted pursuant to Section 403 of The Fiscal Code and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit found that the District performed adequately in the areas listed above except as noted in the following finding:

- The District is Facing Serious Financial Challenges, Including a $754,916 General Fund Deficit

We appreciate the District's cooperation during the course of the audit.

Sincerely,

Eugene A. DePasquale
Auditor General

October 22, 2015

cc: **SAINT CLAIR AREA SCHOOL DISTRICT** Board of School Directors

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Background Information[i]

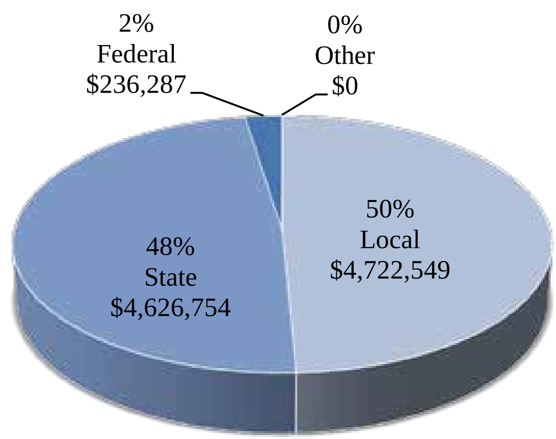
School Characteristics 2013-14 School Year[ii]	
County	Schuylkill
Total Square Miles	783
Resident Population[iii]	6,695
Number of School Buildings	1
Total Teachers	47
Total Full or Part-Time Support Staff	28
Total Administrators	3
Total Enrollment for Most Recent School Year	594
Intermediate Unit Number	29
District Vo-Tech School	Schuylkill Technology Center

Mission Statement

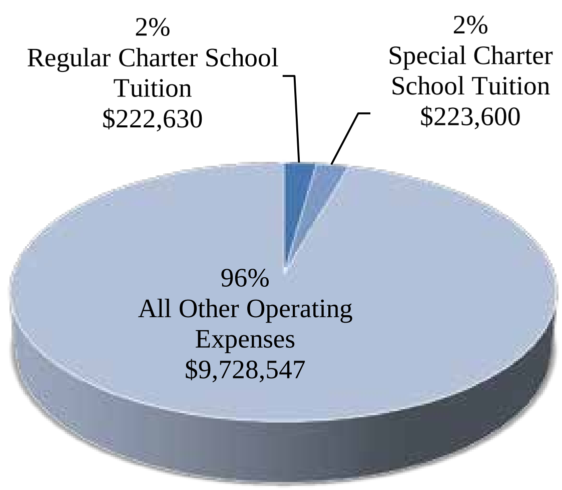
"The foremost mission of the Saint Clair Area School District is the pursuit of excellence in education, its focus being to ensure that all students acquire the knowledge and skills necessary to contribute to society as ethical, responsible citizens, establishing a personal commitment to life-long learning."

Financial Information

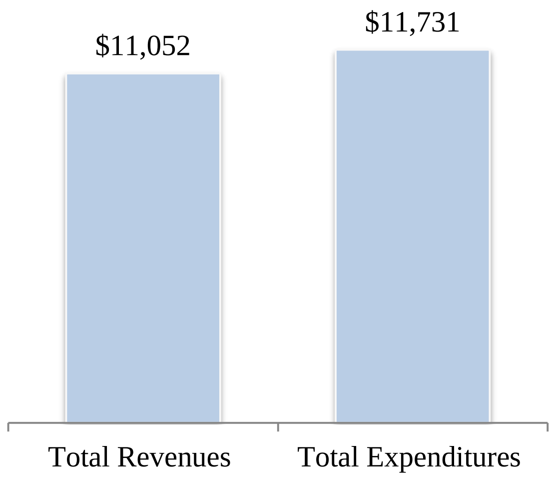
Revenue by Source for 2013-14 School Year



Select Expenditures for 2013-14 School Year

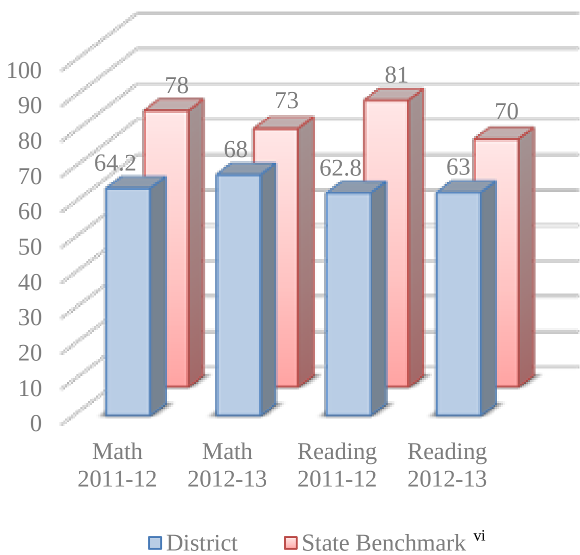


Dollars Per Student 2013-14 School Year

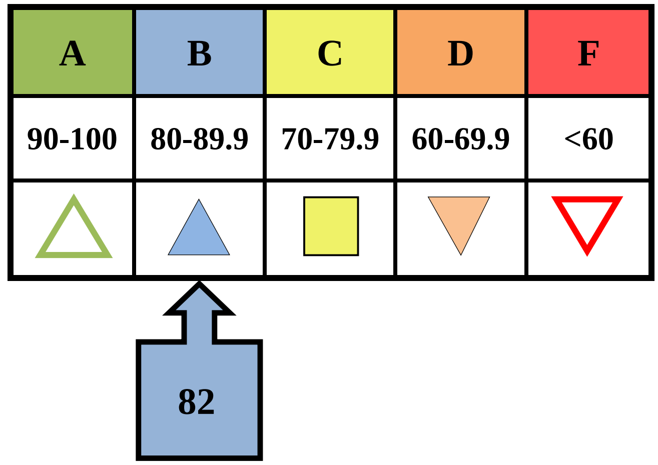


Academic Information

Percentage of District Students Who Scored "Proficient" or "Advanced" on 2011-12 and 2012-13 PSSA[iv] [v]



District's 2012-13 SPP Score[vii]



Individual Building SPP and PSSA Scores[viii] 2012-13 School Year						
School Building	**SPP Score**	**PSSA % School Proficient and Advanced in Math**	**PSSA % Statewide Benchmark Proficient and Advanced in Math**	**PSSA % School Proficient and Advanced in Reading**	**PSSA % Statewide Benchmark Proficient and Advanced in Reading**	**Federal Title I Designation (Reward, Priority, Focus, No Designation)[ix]**
Middle/Elem	82	68	73	63	70	No Designation

Findings and Observations

Finding

The District is Facing Serious Financial Challenges, Including a $754,916 General Fund Deficit

Criteria relevant to the finding:

Section 609 of the Public School Code (PSC), 24 P.S. § 6-609, provides, in part:

"No work shall be hired to be done, no materials purchased and no contracts made by any Board or School Directors which will cause the sums appropriated to specific purposes in the budget to be exceeded."

The annual general fund budget is addressed under Section 687 of the PSC, 24 P.S. § 6-687, and specifically subsection (b), which provides, in part:

"The Board of School Directors, after making such revisions and changes therein as appear advisable, shall adopt the budget and the necessary appropriation measures required to put it into effect. The total amount of such budget <u>shall not exceed</u> the amount of funds, including the proposed annual tax levy and State appropriation, available for school purposes in that district."

Our audit of the District's Annual Financial Reports (AFRs), independent auditor's reports (IARs), and General Fund budgets for fiscal years ended June 30, 2006 through June 30, 2014, found that the District has a deteriorating General Fund balance, with a $754,916 deficit for the fiscal year ended June 30, 2014. This decline was due primarily to its failure to control expenditures, as the actual expenditures exceeded total budgeted expenditures approved in General Fund budgets for the years ending June 30, 2012 and 2013. Furthermore, the Board of School Directors (Board) approved the June 30, 2014 General Fund budget with expenditures exceeding available revenues and fund balance.

Although the Pennsylvania Department of Education (PDE) has not yet placed the District in Financial Watch or Financial Recovery Status as of June 30, 2014, continued financial challenges could result in the PDE placing the District in either Financial Watch or Financial Recovery Status.

As shown in the following chart, the District has had a General Fund deficit for the last two fiscal years and has lost over $2.6 million in the General Fund balance during the period from the fiscal year ended June 30, 2012 through the fiscal year ended June 30, 2014:

Trend: Fund Balance

Year Ended June 30	Fund Balance
2006	$1,534,175
2007	1,296,207
2008	765,337
2009	1,006,278
2010	1,588,079
2011	1,851,049
2012	1,076,352
2013	(165,730)
2014	(754,916)

Criteria relevant to the finding (continued):

Best business practices and/or general financial statement analysis tools require the following:

- A school district should maintain a trend of stable or increasing fund balances.
- A quick asset ratio or trend of ratios approaching one or less indicates a declining ability to cover obligations with the most liquid assets.
- The costs for a school district student attending a charter school is paid out of the sending district's operating funds. This results in a reduction of the funds available for use in providing educational services to the district's students that remained in the traditional public school. This scenario continues until the number of students is so large that the district can reduce costs by closing a school building and reduces the number of staff employed by the district.
- A trend of decreasing property value or taxable assessments results in a decrease in real estate tax revenue and indicates limited real estate growth within the district. Instead of normal increases in assessed property values to increase tax revenue, tax rates increases would be needed to increase the revenue.

A decreasing trend indicates a negative trend in the local education agency's (LEA) ability to continue operations. Additionally, fund balance declines are a result of expenditures exceeding revenues. The District was not in compliance with Section 609 of the PSC (*see Criteria Box*) for the fiscal years ended June 30, 2012 and 2013, as actual expenditures exceeded budgeted expenditures.

The District also transferred over $1.3 million dollars from their General Fund balance to their debt service fund over the fiscal years ending 2012, 13, and 14.

Another significant factor impacting the deterioration of the District's General Fund balance was the District's failure to control expenditures in accordance with its General Fund budgets and approving a budget for the fiscal year ended June 30, 2014 that contained expenditures that exceeded available revenues and fund balance. The following table details actual expenditures compared to budgeted expenditures:

Expenditures: Budget vs. Actual			
Fiscal Year Ended June 30	***Budgeted Expenditures***	***Actual Expenditures***	***(Over)/Under Budgeted***
2012	$ 9,323,437	$9,531,992	($208,555)
2013	9,446,420	9,960,074	(513,654)
2014	10,040,771	9,942,248	98,523

A review of the IAR for fiscal years ending June 30, 2012 and 2013 noted actual special education and transportation expenditures were major contributors to exceeding budgeted expenditures for fiscal years ending June 30, 2012 and 2013. Actual costs for special education and transportation alone exceeded the budget by $351,138 for the year ending June 30, 2012. Special education and transportation costs combined for $272,120 actual expenditures over budgeted expenditures for the year ending June 30, 2013.

Although the actual expenditures did not exceed budgeted expenditures for year ended June 30, 2014, the District approved a budget with a $56,274 operational deficit. The budget consisted of $10,040,771 expenditures and revenues (local, state, and federal sources) of only $9,984,497.

Criteria relevant to the finding (continued):

We also reviewed various financial indicators in an effort to assess the District's financial stability. Our review found that the District is in a financially declining position based on 22 best business practice financial benchmarks established by several agencies, including the Pennsylvania Association of School Business Officials, the Colorado State Auditor, and the National Forum on Education Statistics. The following were among the general areas we evaluated: (1) the level of the general fund-fund balance (assigned and unassigned); (2) the amount of total debt service; (3) the current ratio (current assets/current liabilities) of all governmental funds; and (4) the trend of annual changes in financial position for all governmental funds.

Over expending indicates that the District's budgets are based on unstable assumptions and/or are poorly monitored. Furthermore, the June 30, 2014 budget had budgeted expenditures that exceeded available revenues and fund balance. Therefore, the District's passage of the budget was not in compliance with Section 687(b) of the PSC as shown in the *Criteria Box.*

If the District's financial indicators continue to decline, the District could be at risk of being added to PDE's financial watch list.

Article IV-a (related to School District Financial Recovery) of the PSC[1] (Act 141 of 2012) permits PDE to place a school district with serious financial problems on a financial watch list. This designation gives the district access to additional technical assistance from PDE. Likewise, if a school district's financial condition deteriorates to the point that it has to request an advance on its annual basic education subsidy, PDE may declare it to be in financial recovery status. School districts in financial recovery status have a PDE appointed chief recovery officer whose responsibilities include oversight of the district and the development of a district-wide financial recovery plan.

Our testing found the District scored negatively on the following:

Unbalanced Budget: A budget with expenditures that exceeds available revenue sources and fund balance violates the legal and financial requirement of Section 687(b) of the PSC as shown in the *Criteria Box*. Those LEAs with more long-range financial plans tend to withstand decreases in revenue much better than those that only plan year-to-year.

During the nine year period of July 1, 2006 through June 30, 2014, the District over expended its revenues six times, thereby decreasing its operating position. Each year that the District's expenditures exceed its revenues, a deficit is incurred.

[1] 24 P.S. § 6-601-A *et seq*.

Trend: Revenues v. Expenditures *(Revenues - Expenditures)*					
Year Ended June 30	Total Revenues	-	Total Expenditures	=	Excess/ (Deficit)
2006	$7,374,897		$7,546,509		($171,612)
2007	7,820,581		8,055,234		(234,653)
2008	8,251,146		8,416,732		(165,586)
2009	8,789,723		8,181,406		608,317
2010	9,353,445		8,357,976		995,469
2011	9,591,864		8,945,488		646,376
2012	9,149,907		9,531,992		(382,085)
2013	9,448,421		9,960,072		(511,651)
2014	9,578,203		9,942,248		(364,045)

Decreasing Quick Ratio: A ratio or trend of ratios approaching one or less indicates a declining ability to cover current obligations with the LEAs most liquid assets, in other words to pay bills.

Decreasing Quick Ratio *((Cash + Investments) ÷ Current Liabilities)*					
Year Ended June 30	Total Cash + Investments	÷	Current Liabilities	=	Quick Ratio
2006	$1,775,663		$1,116,883		1.59 to 1
2007	1,736,209		1,294,628		1.34 to 1
2008	1,361,377		1,371,314		0.99 to 1
2009	1,487,365		1,430,501		1.04 to 1
2010	1,782,434		1,670,216		1.07 to 1
2011	2,749,617		2,073,827		1.33 to 1
2012	2,086,074		2,243,642		0.93 to 1
2013	775,289		2,350,256		0.33 to 1
2014	792,541		2,105,718		0.38 to 1

Charter School Cost Growth: An increasing trend indicates that the charter school costs are increasing as a percent of total expenditures. The major factor to the cost growth was an increase in the number of students leaving the District’s schools to attend charter schools. This was evidenced by the increase in charter school average daily membership of 2.57 to 39.175, from June 30, 2006 to June 30, 2014, respectively.

Trend: Charter School Cost Growth *(As a Percentage of Total District Expenditures)*					
Year Ended June 30	Tuition Paid to Charter School	÷	Total District Expenditures	=	Charter Costs/Total Costs
2006	$ 15,197		$7,546,509		0.20%
2007	23,483		8,055,234		0.29%
2008	53,813		8,416,732		0.64%
2009	74,452		8,181,406		0.91%
2010	133,367		8,357,976		1.60%
2011	249,476		8,945,488		2.79%
2012	481,620		9,531,992		5.05%
2013	532,680		9,960,072		5.35%
2014	446,230		9,942,248		4.49%

Decreasing Property Value: A decreasing or stagnant trend indicates that the LEA does not have the fiscal capacity to generate resources without the aid of state and federal subsidies.

Trend: Decreasing Property Value	
Year Ended June 30	Total Assessed Property Value
2006	$116,086,505
2007	116,776,795
2008	112,678,776
2009	116,351,455
2010	114,773,001
2011	112,065,101
2012	114,398,240
2013	115,224,120
2014	112,903,340

According to a letter provided by the District dated May 15, 2015, which was addressed to the Secretary of Education, the administration noted (in part) the following expenditure increases:

- The Public School Employees' Retirement System (PSERS) percentages rising from 5.64 percent to 21.4 percent, which accounts for approximately $335,000 over a five year period.
- An increase in transportation expenditures of approximately $300,000 over a five year period.
- Special education expenditures increased by approximately $300,000 over a five year period.

- Decreasing property values and a steady decline in tax collection percentage has also been a factor in the District's financial state.

While we do not dispute the rising costs of PSERS, transportation, special education, etc., it is still the District's responsibility to budget, monitor, and control expenditures to ensure financial stability.

District Corrective Action as of June 30, 2014

The District has made difficult decisions in order to regain financial stability to address the District's $754,916 deficit as of June 30, 2014. The District's concerns of inadequate cash flow, ability to pay bills timely, and possible inability to cover current or future costs of operations resulted in the following corrective action:

- The District furloughed 25 percent of its professional staff at the end of the 2013-14 school year.

- The District changed from fully funded insurance to self-funded insurance, which resulted in a reduced cost in the budget by five percent.

- The District eliminated two professional positions through attrition and eliminated two support staff positions through retirements.

- The District restructured their debt service payments to an acceptable level that with PlanCon[2] reimbursement will total approximately six percent of the total budget.

- The administration started five year projections of revenue and expenditures to aid in multi-year planning decisions.

- The District only educates students from K-8 in their buildings. Students in grades 9-12 have been educated at Pottsville Area High School, which Saint Clair Area School District pays Pottsville Area School District's secondary tuition rate for the education of those

[2] Pennsylvania provides partial reimbursement to school districts for new construction and renovation projects. Districts that undertake school construction projects and seek reimbursement must receive approval from the PDE through a process referred to Planning and Construction Workbook (PlanCon).

students. The District renegotiated the tuition contract for one year with Pottsville Area School District. Furthermore, the District has sent out a request for proposal in an attempt to obtain lower tuition costs to be paid for having another school district educate their grades 9-12 students.

- The District prepares a weekly cash flow analysis to ascertain that funds will be available to pay invoices when due. Through tight cash management, the District has been able to pay invoices timely.

The District has been working very closely with a PDE representative, who has been providing technical assistance on all their finances since March 2014. It was noted by the administration that the 2014-15 budget was balanced and the Board approved a balance budget for 2015-16 as well.

Recommendations

The *Saint Clair Area School District* should:

1. Evaluate the recent changes made to the budgeting process, at minimum on an annual basis, for the effectiveness of accurate revenue and expenditure budgeting.

2. Continue to monitor revenues and expenditures on a monthly basis to prevent over expending of individual accounts and expenditures in total. The monitoring procedures should also address the need for revenues to exceed expenditures.

3. Continue to provide the Board with monthly financial reports, as referred to in the management response noted below, so that policy and procedure changes can be made before the District's financial condition worsens.

4. Annually evaluate the established plan to reduce the $754,916 deficit as of June 30, 2014, for continued effectiveness.

5. Continue to evaluate and adjust the District's five year financial projections on an annual basis.

6. Continue to explore potential options for increasing revenues and/or decreasing expenditures.

Management Response

Management stated the following:

"In November of 2013, new leadership was appointed to the District, who immediately instituted a spending freeze. Over the next several months, a complete analysis of all District's revenues and expenditures was completed. The cause of the District financial hardships were due to several factors including: increased PSERS costs, large charter and cyber costs, mandated special education costs, debt service payment cost without PlanCon reimbursement, the associated special education transportation cost and increase in all transportation costs, large increases in health care costs, increased high school tuition costs, and reassessment to real estate property decreasing the District's tax base review.

Since then, the District has made significant changes to the budget to reduce expenditures and increase revenue. Reduction to expenditures included in June of 2014, the district furlough of 25% of the district's professional staff, the elimination of two professional positions through attrition, and the elimination of two support staff positions through retirements. Another support position was eliminated at the beginning of 2014-2015 through attrition. Furthermore, the District moved from a fully insured to self-insured health care provider. This saved the district a substantial amount and reduced cost in the budget by -5%. These changes continue to benefit the district in the 2014-2015 school year and into the 2015-2016 school year.

The District's current budgeting process involves the business manager and superintendent preparing the fiscal budget in its preliminary form. Each line item is reviewed and evaluated for accuracy and efforts are made to reduce expenditures wherever possible. Historical data is used for trend analysis, but because of the dramatic changes to the 2014-2015 budget the District uses five year budget projections with the most current data to examine future trends and analysis. In both the annual budget and five year projections the most accurate information is used in regards to PSERS rate contributions. A three year average of charter school funding costs and three year average of mandated special education costs are used during this process. All analysis and projections are presented and reviewed by the Board of School Directors on a monthly basis prior to the final adoption in June of each year. The board receives variance reports that compare previous year's spending with actual current spending. The District also prepares weekly cash flow spreadsheets in an effort to be fiscally responsible. The Board uses this information to make policy changes to improve the District's financial condition.

The below paragraphs summarizes that various steps the District continues to implement to address the $754,916 deficit in the fund balance:

For the past 26 years the Saint Clair Area School District has had a tuition agreement with the Pottsville Area School District for high school programing (grades 9th through 12th). The District explored a merger study with the Pottsville Area School District. This was nearly a year and a half process that resulted in Pottsville voting not to merge with the District. It became very obvious to District officials that they could no longer afford the arrangement they had with the Pottsville Area School District. After the no merge vote by Pottsville, the Saint Clair Area School District began to attempt to renegotiate a long-term deal with the Pottsville Area School District in which the District could financially stand on its own and remain a "Stand Alone District." Although the District was unable to renegotiate a long-term deal, the District was able to renegotiate a one year deal with the Pottsville Area School District that saved the Saint Clair Area School District approximately $600,000. Because a long-term deal was not obtained, the District put out a Request for Proposal (RFP) to all school districts within 10 miles of the District borders to solicit proposals for high school programing. The goal here is to determine an appropriate tuition cost for high school programing with neighboring districts. All of these hard decisions are being made to help the District recover financially and put the District into a state of financial stability. RFPs are due June 30th, 2015 at 12 p.m.

Furthermore, since March of 2014 the District has been working with the Pennsylvania Department of Education who has assigned an official to serve as a technical assistant to the District. The assistance that the Department has provided has been extremely helpful.

The District has restructured their debt service payments to an acceptable level that with the PlanCon reimbursement will total approximately 6% of the total budget. This is well within the recommended guideline of debt service not to exceed 10%. Additionally, the district is owed approximate $425,000 from the State for PlanCon reimbursement. Non-payment from the state dramatically increased the fund balance deficit.

The Board of School Directors has also increased local real estate taxes above the index during the 2014-2015 and 2015-2016 school years. The current millage is at 34.5.

Charter and Cyber school residency was verified and an effort was instituted to bring all Saint Clair students back to the home district.

Special Education services including speech, psychological services and therapies were taken on by district personnel to reduce IU costs.

The district continues to decrease its negative fund balance and projects a positive fund balance within the next few years. The district continues to budget for worst case scenarios and has not included PlanCon funds or the Governors proposed basic education increase into its 2015-2016 budget. The district has established a minimum of $50,000 being placed in reserve as part of each year’s budget.

The district continues to explore potential options for increasing revenues and/or decreasing expenditures. In 2014, the Board has established a hourly rate to utilize the building for non-school related organizations at $20 per hour. The Board has leased space to Child Development as a Pre-K program of the community. The district has reduced its electric bills and has made changes to insurances to reduce expenditures.

In conclusion, very difficult decisions from the board and administration have placed the District in a position to recover financially. The District has balanced its

2014-2015 budget and has passed a balanced a budget for the 2015-2016 school year."

Auditor Conclusion

The District has implemented many changes over the last couple of years to improve its financial position. We commend the District for making improvements in their budgeting and monitoring processes. We recommend the District continually evaluate the effectiveness of these changes to ensure continued improvement in its financial position.

Status of Prior Audit Findings and Observations

Our prior audit of the District resulted in no findings or observations.

Appendix: Audit Scope, Objectives, and Methodology

School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each LEA. The results of these audits are shared with LEA management, the Governor, PDE, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code,[1] is not a substitute for the local annual financial audit required by the PSC of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

Scope

Overall, our audit covered the period April 9, 2013 through June 29, 2015. In addition, the scope of each individual audit objective is detailed on the next page.

The District's management is responsible for establishing and maintaining effective internal controls[2] to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

[1] 72 P.S. § 403

[2] Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as: effectiveness and efficiency of operations; relevance and reliability of operational and financial information; and compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, financial reports, annual budgets, and new or amended policies and procedures. We also determined if the District had key personnel or software vendor changes since the prior audit.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws, regulations, third-party studies, and best business practices. Our audit focused on the District's performance in the following areas:

- Governance
- Financial Stability
- School Safety
- Bus Driver Requirements

As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives:

- Did the LEA's Board and administration maintain best practices in overall organizational governance?

  - To address this objective, we conducted in-depth interviews with the current Superintendent and his or her staff, reviewed board meeting books, policies and procedures, and reports used to inform the Board about student performance, progress in meeting student achievement goals, budgeting and financial position, and school violence data to determine if the Board was provided sufficient information for making informed decisions.

- Based on an assessment of fiscal benchmarks, was the District in a declining financial position, and did it comply with all statutes prohibiting deficit fund balances and the over expending of the District's budget?

  - To address this objective, we reviewed the District's AFRs, budget, IARs, summary of child accounting, and general ledger for fiscal years 2005-06 through 2013-14. The financial and statistical data was used to calculate ratios and trends for 22 benchmarks, which were deemed appropriate for assessing the District's financial stability. Additionally, if the District had a negative General Fund balance, additional benchmarks were analyzed to determine the potential for the District to be placed on the Financial Watch List or in Financial Recovery Status by PDE.

- Did the District take appropriate actions to ensure it provided a safe school environment?

  - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, and after action reports. In addition, we conducted an on-site review at the only District building to assess whether the District had implemented basic safety practices.

- Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances as outline in applicable laws?[3] Also, did the District have adequate written policies and procedures governing the hiring of new bus drivers?

  - To address this objective, we selected 5 of 23 bus drivers employed during the 2014-15 school year and reviewed documentation to ensure the District complied with the requirements related to bus drivers listed above. We also determined whether the District had written policies and procedures governing the hiring of bus drivers and whether those procedures were sufficient to ensure compliance with bus driver hiring requirements.

[3] 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 *Pa. Code Chapter 8*.

Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Pedro A. Rivera
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Timothy Reese
State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Mrs. Danielle Mariano
Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter
Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Lin Carpenter
Assistant Executive Director for Member Services
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.

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[i] Source: School district, PDE, and U.S. Census data.

[ii] Source: Information provided by the District administration.

[iii] Source: United States Census http://www.census.gov/2010census

[iv] PSSA stands for the Pennsylvania System of School Assessment (PSSA), which is composed of statewide, standardized tests administered by PDE to all public schools and the reporting associated with the results of those assessments. PSSA scores in the tables in this report reflect Reading and Math results for the "All Students" group for the 2011-12 and 2012-13 school years.

[v] PSSA scores, which are Pennsylvania's mandatory, statewide academic test scores, are issued by PDE. However, the PSSA scores issued by PDE are collected by an outside vendor, Data Recognition Corporation (DRC). The Pennsylvania Department of the Auditor General and KPMG issued a material weakness in internal controls over PDE's compilation of this academic data in the Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2014, citing insufficient review procedures at PDE to ensure the accuracy of test score data received from DRC.

[vi] In the 2011-12 school year, the state benchmarks reflect the Adequate Yearly Progress targets established under No Child Left Behind. In the 2012-13 school year, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

[vii] SPP stands for School Performance Profile, which is Pennsylvania's new method for reporting academic performance scores for all public schools based on a scale from 0% to 100% implemented in the 2012-13 school year by PDE.

[viii] *Ibid.* Additionally, federal Title I designations of Priority, Focus, Reward, and No Designation are new federal accountability designations issued by PDE to Title I schools only beginning in the 2012-13 school year. Priority schools are the lowest 5%, focus schools are the lowest 10%, and reward schools are the highest 5% of Title I schools. All Title I schools not falling into one of the aforementioned percentage groups are considered "No Designation" schools. The criteria used to calculate the percentage rates is determined on an annual basis by PDE.

[ix] Title I Federal accountability designations for Title I schools originate from PDE and are determined based on the number of students at the school who receive free and/or reduced price lunches. School lunch data is accumulated in PDE's CN-PEARS system, which is customized software developed jointly with an outside vendor, Colyar, Inc. The Pennsylvania Department of the Auditor General and KPMG issued a material deficiency in internal controls over the CN-PEARS system in the Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2014.